Property – Malaysia

OVERWEIGHT
(Maintained)

2Q25: Results Broadly In Line; Picking Up Pace In 2H25

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Highlights

- **2Q25 sector earnings came in broadly within expectations,** with four in line and three below (SP Setia, Sunway Bhd, and Lagenda).
- **Property transactions value (+14% yoy) and volume (+4% yoy) improved in 2Q25,** driven by resilient demand from the industrial segment and Johor region.
- **Maintain OVERWEIGHT,** underpinned by strong FDI inflows, resilient industrial land demand and mass-market housing. Top picks: Sunway, Eco World and Mah Sing.

Analysis

- **2Q25 results wrap-up.** Under our coverage, the sector's 2Q25 results came in broadly within expectations, with four in line and three misses. SP Setia and Sunway missed due to higher-than-expected expenses, while Lagenda fell below expectations due to slower revenue recognition from progress billing. Overall, the sector's 2Q25 core net profit declined 29% yoy despite property revenue growth (+15% yoy), mainly due to SP Setia's reduced land sales recognition and IOIPG's higher finance costs. Key themes include: a) measured data centre demand contrasted with resilient industrial demand, b) stronger launches and sales activity in 2H25, and c) expanding presence in Singapore alongside a falling SORA. Notably, asset monetisation of REITs (IOIPG and SP Setia) and the healthcare IPO (Sunway) remain on track.
- **2Q25 property transaction picked up on stronger industrial and Johor demand.** According to NAPIC, the property market improved in 2Q25, with transaction value/volume rising 14%/4% yoy to RM56.3b/98.5m (1Q25: -9%/-6% yoy) respectively. By category, residential value/volume grew 3%/3% yoy, while industrial jumped 11%/18% yoy. Regionally, Johor volume rebounded to 17% yoy (1Q25: -3% yoy) while Klang Valley's decline narrowed to -2% yoy (1Q25: -8% yoy).
- **Completed but unsold units (overhang) rose to 26,911** (+19% yoy; +14% qoq). However, we are not overly concerned as it mainly reflects project completion (+36% yoy; +255% qoq) coming on stream simultaneously. Positively, Johor's overhang was flattish yoy at 3,209 units (-0.3% yoy; +6% qoq) despite a sharp increase in completions (+26% yoy; +83% qoq), indicating resilient demand supported by JS-SEZ, echoing developers' feedback. Overall, we expect the overhang to improve gradually as the market absorbs supply, aided by the current lower interest rate environment and JS-SEZ-driven demand. Johor's house price index rose 6% yoy but dipped 2% qoq, suggesting a healthy demand as prices normalised from 1Q25's peak.

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Eco World	ECW MK	BUY	2.13	2.50
Sunway	SWB MK	BUY	5.29	5.70
Mah Sing	MSGB MK	BUY	1.10	1.57

Source: Bloomberg, UOB Kay Hian

2Q25 Results Summary

	2Q25 (RMm)	Qoq %	Yoy %	Results
Mah Sing	67.3	5.9	13.1	In Line
**Matrix	62.9	46.2	3.7	In Line
SP Setia	109.4	63.1	(64.4)	Below
Sunway	231.7	12.8	(1.1)	Below
UEM Sunrise	24.6	23.2	47.9	In Line
**IOIPG	105.5	(5.0)	(41.6)	In Line
Lagenda	43.0	(3.5)	(11.1)	Below
Sector	**644.5**	**16.2**	**(29.0)**	

*** Reflects calendar year quarterly net profit.*
Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 11 Sep 25 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2024A (x)	PE 2025E (x)	PE 2026E (x)	Yield 2025E (%)	ROE 2025E (%)	Market Cap. (RMm)	Price/ NAV ps (x)
Eco World Development	ECW MK	BUY	2.13	2.50	17.4	10/24	18.6	16.8	14.4	3.4	7.9	6,377	1.2
IOI Properties Group	IOIPG MK	BUY	2.18	2.72	24.8	6/25	17.2	31.0	18.1	3.7	1.6	12,003	0.5
Lagenda Properties	LAGENDA MK	BUY	1.13	1.74	54.0	12/24	5.6	5.1	3.5	7.2	13.6	946	0.9
Mah Sing Group	MSGB MK	BUY	1.10	1.57	42.7	12/24	11.6	9.6	8.8	5.3	7.1	2,816	0.7
Matrix Concepts	MCH MK	BUY	1.38	1.70	23.2	3/25	12.8	10.0	9.7	5.2	9.1	2,590	1.1
SP Setia	SPSB MK	BUY	1.00	1.48	48.0	12/24	8.0	10.3	8.4	2.4	3.2	5,003	0.3
Sunway Bhd	SWB MK	BUY	5.29	5.70	7.8	12/24	35.0	36.1	29.8	1.3	6.3	33,170	2.3
UEM Sunrise	UEMS MK	BUY	0.71	0.92	29.6	12/24	24.0	35.7	29.1	2.1	1.4	3,592	0.5

Source: UOB Kay Hian

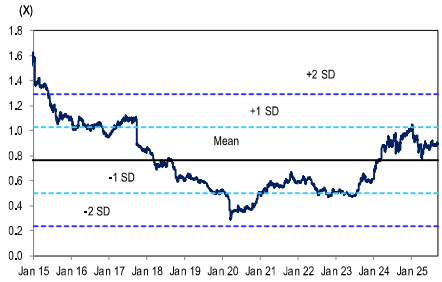
Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain upbeat on the sector, driven by: a) a falling interest rate environment, b) JS-SEZ-driven demand for industrial land, and c) infrastructure progress spurring demand for transit-oriented development. We also expect the upcoming Budget 2026 to focus on affordable housing which includes expanding financing means for first-time home buyers. Our top picks are Sunway, Eco World and Mah Sing.
- **Sunway Bhd (SWB MK/BUY/Target: RM5.70).** Our SOTP-based target price implies 33x 2026F PE and 30x 2027F PE (+2SD above its five-year mean of 15.6x) and 2.4x 2026F PB (+2SD above its 10-year mean of 1.2x). We remain upbeat on Sunway for its upcoming healthcare listing in 1Q26, with an approximately 3% distribution yield via distribution-in-specie of Sunway Healthcare Holdings shares, which in our opinion still looks fairly rewarding.
- Separately, its JV with Sing Holdings secured a second parcel at Chuan Grove, underscoring Sunway's strategy to deepen its presence in Singapore. The second parcel was awarded for S$623.9m (RM2.05b) or S$1,331 psf ppr, slightly below the first site at S$1,376 psf ppr. This pricing remains competitive, given the location's good accessibility and proximity to schools and major expressways. While the GDV is still yet to be finalised, it could fall around S$1.2b (RM4.0b), assuming a typical land-cost-to-GDV ratio of 50%. We estimate the project to contribute S$9m-13m (RM30m-43m) per year, based on: a) its 35% stake, b) development period of five years, and c) net margin of 10-15%, equivalent to 2-3% of our 2027 earnings forecast.
- **Eco World Development (ECW MK/BUY/Target: RM2.50).** Maintain BUY with an unchanged target price of RM2.50 based on a 32% discount to RNAV. Our target price implies 1.5x FY26F PB (+2SD of 10-year mean: 0.7x) and 16.9x FY26F PE, which is considered fair given a 17% CAGR during FY25-27F and a structural uplift in earnings quality from the inclusion of recurring data centre rental income.
- **Mah Sing Group (MSGB MK/BUY/Target: RM1.57).** Maintain BUY with an unchanged target price of RM1.57 based on a 37% discount to property RNAV. Our SOTP-based target price implies 0.9x 2026F P/B (+1SD to 10-year mean: 0.7x) and 12.6x 2026F PE. The stock currently offers attractive value at 0.7x 2026F PB, on the back of: a) solid property sales and take up rates, b) healthy net gearing at 0.2x as of end-Jun 25, and c) potential finalising of a data centre land sale by year-end.

Sector Catalyst/Risk

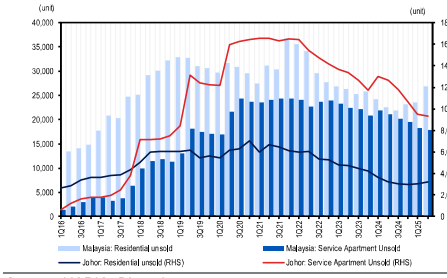
- Key risks to our investment thesis include: a) unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) impairments on receivables and completed inventories.

Sector One-Year Forward PB



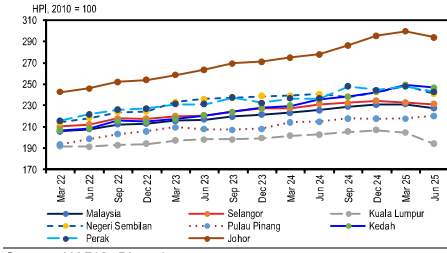
Source: Bloomberg

Quarterly Overhang Trend



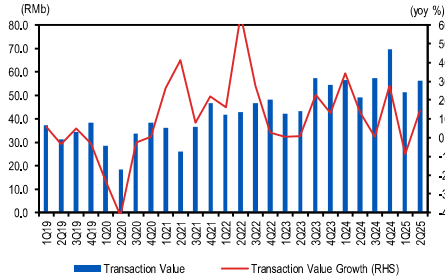
Source: NAPIC, Bloomberg

Quarterly House Price Index



Source: NAPIC, Bloomberg

Quarterly Transaction Value



Source: NAPIC, Bloomberg

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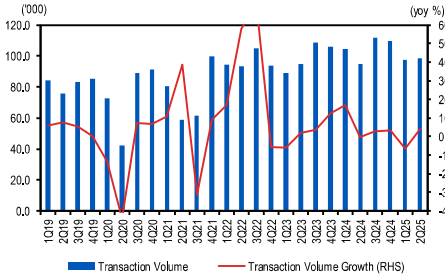

Source: NAPIC, Bloomberg

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